

# **Act No. CXXXIV of 2004 on Research and Development and Technological Innovation**

(abstract)

## *Aims of the Act*

The Act promotes the sustainable development of the Hungarian economy through Research and Development (R&D) and Technological Innovation (TI). It also aims at increasing the competitiveness of enterprises and at the effective exploitation of both regional research & development and regional innovation potentials. The act encourages the creation of high value added workplaces. It fosters improvement of both professional skills and the recognition of researchers performance.

## *Basic Principles*

Without distorting market competition the Hungarian state supports the innovation activities of enterprises. Public funds are allocated through competitive calls and the projects are monitored and independently evaluated. Small and medium-sized enterprises are eligible to receive funds under specific favourable conditions. Governmental financial measures promoting innovation are tailor-made for the specific needs of innovation activities.

## *Interpretative Provisions*

R&D and TI definitions applied by the act comply with OECD and EU concepts like Pure Basic Research, Targeted Basic Research, National Innovation System, Consortium and Spin-off Company.

### *Governmental Tasks Concerning Research & Development and Technological Innovation*

The government, in cooperation with stakeholders shall create a mid-term scientific, technological and innovation strategy. The government shall submit a biennial report to the Parliament on the progress toward achieving the objectives of the strategy. The government shall promote participation in international scientific and technological co-operations. It shall encourage enterprises to exploit R&D results. It shall provide support for the creation of R&D infrastructure and for carrying out activities concerning R&D, the exploitation of research, as well as TI. The government shall define the system, the guidelines and content requirements for independent evaluation and monitoring. The National Office for Research and Technology is the governmental organization responsible for the formulation, implementation and coordination of the government strategy. The act describes the duties of ministers and that of the President and the Secretary General of the Hungarian Academy of Sciences concerning R&D and TI issues within their budget chapters.

### *Supporting Research & Development and Technological Innovation by Public Financing*

The government can establish research units, to be supported by the central budget. Basic Research is supported through a framework of competitive calls. The government shall provide public funding for strengthening R&D and TI by calls for proposals. The projects with the potential for indirect effects and technological breakthrough; having macroeconomic or social impact; as well as those fostering industry-academia or regional and trans-national co-operation shall receive priority.

State financial contribution shall be provided in accordance with the actual resource needs of the project and within the framework of the financial provisions set out in the contract.

Public research institutions receiving financial contribution based on international agreements or EU financial contribution shall be eligible for domestic pre-financing, in case advance funds are not provided for in the abovementioned contribution.

Small and medium-sized enterprises or non-profit research institutions receiving financial contribution based on international agreements or EU financial contribution shall be eligible for interest-rate-subsidy on loans used for the funded projects.

The funder shall have independent evaluation carried out on the progress toward achieving the program objectives and on the results of specific projects. The funder shall make use of the results and best practices revealed by the evaluation.

The Hungarian Current Research Information System (HunCRIS) shall keep a record of research projects. All beneficiaries of R&D public funding shall take on the obligation to provide data to HunCRIS that shall be public.

### *Protection of Intellectual Property Rights and Promotion of the Use of Intellectual Property*

The beneficiaries of R&D project funding shall ensure that intellectual property rights are conferred to them. If several participants co-operate in a project, they shall conclude a civil law contract on their respective share of ownership of intellectual property rights. In case the funder requires the intellectual property to be made available free of charge for public use, this requirement should be made explicit both in the call for proposals and in the funding contract.

All public research institutions, public foundations and non-profit companies which qualify as research institutions shall ensure that they adopt the -Rules for Intellectual Property Rights Management, governing evaluation and registration of intellectual property, regulating the conditions for conferring intellectual property to a company as non-financial contribution and defining the terms of other means of intellectual property exploitation. The Rules for Intellectual Property Rights Management shall set out the rights and obligations of the personnel working on the project. It shall also govern evaluation, registration and exploitation procedures. The Rules for Intellectual Property Rights Management shall be approved by the head of the organization concerned, who shall not confer this right to anyone.

Public bodies possessing intellectual property rights are entitled to confer these rights to a spin-off company as non-financial contribution if the spin-off company concerned has its Rules for Intellectual Property Rights Management referred to in § 18.

State property is protected by a row of provisions: re-conferring of intellectual property by a spin-off company to another company as non-financial contribution is prohibited; the liability of a public body must not exceed its share in the spin-off company; the share of dividend the public body receives must not be less than its share of ownership; financial contribution of a public body to a spin-off company is limited to a low level; additional payments by public bodies holding shares in spin-off companies shall not be made; spin-off company shares held by public bodies

shall not be sold at a lower price than that set out by the auditor; public bodies shall submit annual reports on the spin-off companies in which they are involved.

Public and non-profit research institutions may receive funds for acquiring spin-off company shares through call for proposals.

Public employees working for public research institutions may become members, executive officers or employees of spin-off companies.

### *Human Resources of Research & Development and Technological Innovation*

Within the framework of R&D and TI calls for proposals funding may be granted for education and training, PhD-training as well as international and intersectoral mobility.

Secondary school teachers holding a scientific degree or scientific title are entitled to go on an unpaid sabbatical once in every seven years for a maximum period of six months. They are eligible to apply for fellowships for the period of the sabbatical.

Projects attracting highly qualified or specially trained foreign fellows or personnel to carry out Research & Development and Technological Innovation activities in Hungary are eligible for public funding for this purpose through calls for proposals.

If the employer has provided its prior consent to the researcher to work for a spin-off company, then – pursuant to their employment contract – it shall provide the researcher with an unpaid holiday.

### *Services Promoting Research & Development and Technological Innovation*

Services promoting innovation are eligible for funding, particularly regarding the following activities: establishment and management of enterprises carrying out technological innovation; safeguarding capital supply of these enterprises; co-operation between research institutions and enterprises; protection and exploitation of intellectual property rights; promoting equal opportunities concerning access to market information; acquiring and dissemination of knowledge; and improvement of infrastructure.

Innovation services shall be provided in every region. Regional Development Committees shall ensure that Regional Development Agencies or other organizations become capable of co-ordinating regional innovation activities, including the network co-operation of service providers.

The exploitation of intellectual property by small and medium-sized enterprises is supported by guarantee funds with partial state ownership.

Projects using the services of research infrastructure abroad may be eligible for public funding through calls for proposals. The government may contribute to covering the costs of research infrastructure abroad if their services are available for Hungarian research institutions and enterprises, too. The government may support the creation, management and development of research infrastructure built in the framework of international co-operation in Hungary.

The act contains provisions promoting public awareness, increasing public recognition and general appreciation of Research & Development and of Technological Innovation.